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Stanbic Bank Uganda PMI™

New orders return to growth in February

Key findings

Increase in new business supports higher output

Employment rises for first time in three months

Companies optimistic for future output

Data were collected 11-25 February 2021

This report contains the latest analysis of data collected from the monthly survey of business conditions in the Ugandan private sector. The survey, sponsored by Stanbic Bank and produced by IHS Markit, has been conducted since June 2016 and covers the agriculture, industry, construction, wholesale & retail and service sectors. The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™) which provides an early indication of operating conditions in Uganda.

The PMI is a composite index, calculated as a weighted average of five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

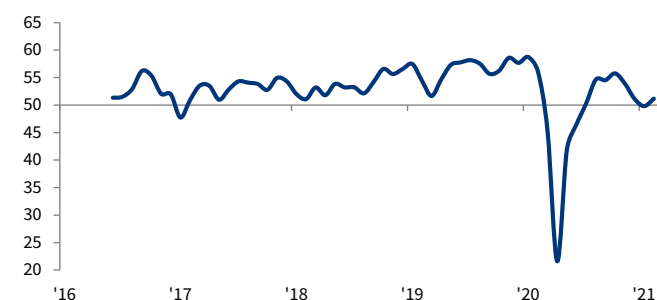
After the election period led to a deterioration in business conditions during January, the health of the private sector improved in February. New orders and employment both returned to growth and output continued to rise.

The headline PMI moved back above the 50.0 no-change mark in February, posting 51.2 up from 49.8 in January. Business conditions have now strengthened in seven of the past eight months, but the latest reading was below the series average of 52.9.

The end of the election period and preparations for a wider reopening of schools supported a return to growth of new

PMI

sa, >50 = improvement since previous month



Sources: Stanbic Bank, IHS Markit.

business during February. This helped lead to a rise in output, the eighth in as many months. The agriculture and industry sectors posted increases in activity, but declines were recorded elsewhere.

A return to growth of employment was also seen in February, thereby ending a two-month sequence of job cuts. Rising staffing levels led to an increase in employee expenses.

Purchase costs also rose, with higher prices for items such as foodstuffs, stationery and liquid soap recorded. Higher utility prices also added to overall input cost inflation.

In response to increasing input prices, companies raised their own selling prices for the second month running.

Purchasing activity rose for the first time in three months. Higher input buying, combined with positive expectations around future new order inflows, led to an accumulation of inventories. Meanwhile, suppliers' delivery times shortened for the first time since November last year.

Expectations of increases in new business supported optimism that activity will rise over the coming year. Around 85% of respondents expressed confidence in the 12-month outlook.

Comment

Ferishka Bharuth, Economist - Africa Regions at Stanbic Bank commented:

“As we suspected, as the uncertainty following the election period eased, business conditions improved in February, with the PMI rising above 50. Notably, within the PMI index, new orders and employment grew with output remaining above 50 over the last 8 months. While new export orders still remain in contraction, it appears to be recovering too. The reopening of schools also supported economic activity. The survey showed an overwhelming sense of optimism that activity will rise over the next year, which bodes well for the economic recovery.”

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Methodology

The Stanbic Bank Uganda PMI™ is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include agriculture, mining, manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

February data were collected 11-25 February 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

ihsmarkit.com/products/pmi.html

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About Stanbic Bank

Stanbic Bank Uganda is a member of the Standard Bank Group, Africa's largest bank by assets. Standard Bank Group reported total assets of R1,98 trillion (about USD128 billion) at 31 December 2015, while its market capitalisation was R184 billion (about USD11,8 billion).

The group has direct, on-the-ground representation in 20 African countries. Standard Bank Group has 1 221 branches and 8 815 ATMs in Africa, making it one of the largest banking networks on the continent. It provides global connections backed by deep insights into the countries where it operates.

Stanbic Bank Uganda provides the full spectrum of financial services. Its Corporate & Investment Banking division serves a wide range of requirements for banking, finance, trading, investment, risk management and advisory services. Corporate & Investment Banking delivers this comprehensive range of products and services relating to: investment banking; global markets; and global transactional products and services.

Stanbic Bank Uganda personal & business banking unit offers banking and other financial services to individuals and small-to-medium enterprises. This unit serves the increasing need among Africa's small business and individual customers for banking products that can meet their shifting expectations and growing wealth.

For further information go to www.stanbicbank.co.ug

About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

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